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HOUSING AUTHORITY OF LAKE ARTHUR
REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
TWELVE MONTHS ENDED SEPTEMBER 30, 2000

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 03/21/01

MIKE ESTES, P.C.
A PROFESSIONAL ACCOUNTING CORPORATION

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HOUSING AUTHORITY OF LAKE ARTHUR

SUMMARY OF AUDITOR'S RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results

- A. We issued an unqualified opinion on the Housing Authority of Lake Arthur, Louisiana for the audit of its combined financial statements for the year ended September 30, 2000.
- B. The combined financial statements are prepared on the Enterprise Method. See Auditor's Report and Note A.
- C. No reportable conditions in internal control were disclosed by our audit of the financial statements.
- D. The audit did not disclose any noncompliance which is material to the financial statements.
- E. No reportable conditions in internal control were disclosed by our audit over major programs.
- F. We issued an unqualified opinion on compliance for major programs.
- G. Our audit disclosed three audit findings that we are required to report under 510(a) of OMB Circular A-133.
- H. Major programs are as follows, and see Schedule of Federal Expenditures for CFDA numbers and amounts:
 - 1. Low Income Housing
 - 2. CIAP

HOUSING AUTHORITY OF LAKE ARTHUR

SUMMARY OF AUDITOR'S RESULTS AND SCHEDULE OF FINDINGS AND QUESTIONED COSTS

- I. The dollar threshold to distinguish Type A and Type B programs is \$300,000.
- J. The Housing Authority of Lake Arthur, Louisiana did not qualify for the year ended September 30, 2000 as a low-risk auditee.

Schedule of Findings and Questioned Costs

- K. There are no findings in these financial statements that are required to be reported in accordance with GAGAS.
- L. There are three audit findings or questioned costs for Federal awards which shall include audit findings as described in 510a of OMB Circular A-133.

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Independent Auditor's Report

Board of Commissioners
Housing Authority of Lake Arthur
Lake Arthur, Louisiana

Regional Inspector General for Audit
Office of Inspector General
Department of Housing and Urban
Development

We have audited the accompanying general-purpose combined financial statements of the Housing Authority of Lake Arthur, Louisiana at and for the year ended September 30, 2000, as listed in the table of contents. These general-purpose combined financial statements are the responsibility of the Housing Authority of Lake Arthur, Louisiana's management. Our responsibility is to express an opinion on these general-purpose combined financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and provisions of the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose combined financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of Lake Arthur, Louisiana as of September 30, 2000, the results of its operations, changes in its total net assets and statement of cash flows for the year then ended, in conformity with generally accepted accounting principles.

As described in Note A to the financial statements, the PHA changed from the Governmental Funds to the Enterprise Funds method for the year ended September 30, 1999.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 1, 2001 on our consideration of Housing Authority of Lake Arthur's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part on an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined general-purpose financial statements of the Housing Authority of Lake Arthur, Louisiana taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, Financial Data Schedule and other supplementary schedules are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information had been subjected to the auditing procedures applied in the audit of the combined general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners of the PHA, and for filing with the Department of HUD and should not be used for any other purpose.

Mike Estes, P.C.

Fort Worth, Texas
March 1, 2001

EXHIBIT A

HOUSING AUTHORITY OF LAKE ARTHUR
 COMBINED STATEMENT OF NET ASSETS - ENTERPRISE FUND
 SEPTEMBER 30, 2000

LA - 041

Assets

Current assets

Cash and cash equivalents	\$ 16,514
Receivables - net of allowance, \$1145	458
Inventories - net of allowance	628
Prepaid Insurance	10,915
Total current assets	28,515

Fixed assets - net of accumulated depreciation - Note E

868,887

Noncurrent assets

Other assets

2,885

Total noncurrent assets

2,885

Total assets

\$ 900,287

Liabilities

Current liabilities

Retainage payable	\$ 23,664
Accrued payroll taxes & comp. absences - Note J	5,389
Tenant security deposits	3,088
Accrued PILOT	4,026

Total current liabilities

36,167

Net Assets

Retained earnings	2,854
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Contributed capital	861,266
---------------------	---------

Total Net Assets - Exhibit B

864,120

Total Liabilities and Net Assets

\$ 900,287

The Notes to Financial Statements are an integral part of these statements.

EXHIBIT B

HOUSING AUTHORITY OF LAKE ARTHUR
COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - ENTERPRISE FUND
YEAR ENDED SEPTEMBER 30, 2000

LA - 041

Revenues

Tenant revenue	\$ 59,944
HUD subsidy - Low Rent	65,146
HUD CIAP soft costs grant	6,974
Interest income	80
Other revenue	5,050

Total Operating Revenue	137,194
--------------------------------	---------

Operating expenses

Administrative	47,717
Utilities	17,229
Maintenance	46,557
General expense	32,864
CIAP soft costs	6,974

Total operating expenses	151,341
---------------------------------	---------

Extraordinary Maintenance	4,396
Depreciation	92,513

Total expenses	248,250
-----------------------	---------

Net operating (loss)	(111,056)
-----------------------------	-----------

Retained earnings, 9/30/99	113,910
----------------------------	---------

Retained earnings, 9/30/00	\$ 2,854
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Contributed capital, 9/30/99	511,396
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Current year additions	349,870
------------------------	---------

Contributed capital, 9/30/00	861,266
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Total Net Assets, 9/30/00 - Exhibit A	\$ 864,120
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The Notes to Financial Statements are an integral part of these statements.

EXHIBIT C

HOUSING AUTHORITY OF LAKE ARTHUR
COMBINED STATEMENT OF CASH FLOWS - ENTERPRISE FUND
YEAR ENDED SEPTEMBER 30, 2000

LA - 041

Cash flows from operating activities:

Tenant revenue	\$ 59,944
Operating subsidies	72,120
Other operating revenue	5,050
Operating expenses	(151,341)
Extraordinary maintenance	(4,396)
Net cash (used) in operating activities	<u>(18,623)</u>

Cash flows from capital and related financing activities

HUD CIAP hard cost advances	349,870
Equipment and CIAP additions	(350,320)
Net cash provided (required) by capital and financing activities	<u>(450)</u>

Cash flows from investing activities

Interest income	<u>80</u>
Net cash provided (used) from investing activities	<u>\$ 80</u>

The Notes to Financial Statements are an integral part of these statements.

EXHIBIT C

HOUSING AUTHORITY OF LAKE ARTHUR
 COMBINED STATEMENT OF CASH FLOWS - ENTERPRISE FUND (continued)
 YEAR ENDED SEPTEMBER 30, 2000

LA - 041

Adjustments

Changes in current assets and liabilities	
Increase in accounts receivable	\$ (57)
Increase in inventories	(194)
Increase in prepaid insurance	(1,267)
Increase in retainage payable	23,664
Increase in security deposits	89
Decrease in accounts payable - other	(3,469)
Increase in comp absences and payroll taxes	2,479
Increase in accrued pilot	4,026
Total adjustments	<u>25,271</u>
Change in cash and equivalents	6,278
Cash and equivalents beginning of year	<u>10,236</u>
Cash and equivalents end of year - Exhibit A	<u>\$ 16,514</u>

The Notes to Financial Statements are an integral part of these statements.

EXHIBIT D

HOUSING AUTHORITY OF LAKE ARTHUR
COMPARISON OF ACTUAL HUD REVENUE AND
EXPENSES TO HUD BUDGETED
YEAR ENDED SEPTEMBER 30, 2000

LA - 041

	HUD Budget	Actual	Over (Under) Budget
Revenues			
Tenant revenue	\$ 59,760	\$ 59,944	\$ 184
HUD subsidy - Low Rent	65,146	65,146	0
HUD CIAP soft costs grant	6,974	6,974	0
Interest income	1,030	80	(950)
Other revenue	6,000	5,050	(950)
Total operating revenue	<u>138,910</u>	<u>137,194</u>	<u>(1,716)</u>
Operating expenses			
Administration	39,360	47,717	8,357
Tenant services	500	0	(500)
Utilities	16,350	17,229	879
Maintenance	46,020	46,557	537
General expense	42,350	32,864	(9,486)
Depreciation	0	92,513	92,513
CIAP soft costs	6,974	6,974	0
Extraordinary maintenance	3,700	4,396	696
Total operating expenses	<u>\$ 155,254</u>	<u>\$ 248,250</u>	<u>\$ 92,996</u>
Excess (deficient) revenues	(16,344)	(111,056)	(94,712)
Add:			
Depreciation - not budgeted by HUD	0	92,513	92,513
Deduct:			
Capital expenditures - budgeted by HUD	<u>5,150</u>	<u>0</u>	<u>5,150</u>
Excess (deficiency) of over expenses	<u>\$ (21,494)</u>	<u>\$ (18,543)</u>	<u>\$ 2,951</u>

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF LAKE ARTHUR

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE

The Housing Authority of Lake Arthur, Louisiana (the Authority), a public corporate body, was organized for the purpose of providing decent, safe, and sanitary dwelling accommodations for persons of low income.

The Authority is engaged in the acquisition, modernization, and administration of low-rent housing. The Authority is administered by a governing Board of Commissioners (the Board), whose members are appointed by the Mayor of the City of Lake Arthur, Louisiana. Each member serves a five-year term on a rotating basis. Substantially all of the Authority's revenue is derived from subsidy contracts with the U.S. Department of Housing and Urban Development (HUD). The Annual Contributions Contracts entered into by the Authority and HUD provide operating subsidies for Authority-owned public housing facilities and housing assistance payments for eligible individuals.

(1) Financial Reporting Entity

Generally accepted accounting principles require that the financial statements present the accounts and operations of the Authority and its component units, entities for which the Authority is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Authority's operations and data from these units, if any, are combined with data of the Authority. Each discretely presented component unit, if any, would be reported in a separate column in the combined financial statements to emphasize that it is legally separate from the Authority. As of September 30, 2000, and for the fiscal year then ended, the Authority had no discretely presented component units or any component units required to be blended in these financial statements.

HOUSING AUTHORITY OF LAKE ARTHUR

NOTES TO FINANCIAL STATEMENTS

(continued)

SEPTEMBER 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE (continued)

(2) Change in Accounting Principle

For the year ended September 30, 1999, the PHA changed from the Government Funds Method to the Enterprise Method. This change was strongly recommended by the Real Estate Assessment Center (REAC) of the Department of Housing and Urban Development.

The Enterprise Funds Method accounts for operations in a manner similar to a private business. Under this method, all assets, including fixed assets, and all liabilities are in one fund, and one financial statement.

The Enterprise Fund recognizes revenues and expenses on the full accrual basis. Revenues are recognized when earned and become measurable. Expenses are recognized in the period incurred, if measurable. In the prior method used, the Governmental Funds Method, the modified accrual method was necessary.

Depreciation expense must be recognized for the Enterprise Fund. Under the Governmental Funds Method, depreciation was optional and the PHA elected not to recognize it.

The PHA applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

At 9/30/99 soft costs from development and modernization were deleted from fixed assets and charged to HUD Capital Contributions.

HOUSING AUTHORITY OF LAKE ARTHUR

NOTES TO FINANCIAL STATEMENTS

(continued)

SEPTEMBER 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE (continued)

(3) Budgetary Data

The Authority is required by its HUD Annual Contributions Contracts to adopt annual budgets for the Low-Rent Housing Program. Annual budgets are not required for CIAP grants as their budgets are approved for the length of the project.

The Authority is under a limited budget review from HUD with the control category of total operating expenditures. If there are no overruns of the total operating expenditures, then HUD does not require budget revisions other than when there are substantial additions to nonroutine expenditures. Budgeted amounts are as originally adopted or as amended by the Board and HUD.

The budget is prepared on a statutory (HUD) basis and does not contain a provision for uncollectible tenant receivables, or depreciation. The budget does reflect furniture and equipment additions from operations.

(4) Cash and Cash Equivalents

The entity defines cash and cash equivalents to include certificates of deposit, money market funds, savings accounts, and demand deposits.

HOUSING AUTHORITY OF LAKE ARTHUR

NOTES TO FINANCIAL STATEMENTS

(continued)

SEPTEMBER 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE (continued)

(5) Tenant Receivables

Receivables for rentals and service charges are reported in the General Fund, net of allowances for doubtful accounts.

NOTE B - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

It is the entity's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The entity's deposits are categorized to give an indication of the level of risk assumed by the entity at September 30, 2000. The categories are described as follows:

- Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3 - Uncollateralized, uninsured and unregistered, but with securities held by the bank, its trust department, or its agent, pledged to the PHA, but not in the PHA's name.

HOUSING AUTHORITY OF LAKE ARTHUR

NOTES TO FINANCIAL STATEMENTS

(continued)

SEPTEMBER 30, 2000

NOTE B - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposits, categorized by level of risk, (at cost, which approximates market) are:

Total Bank Balance	Category		
	1	2	3
\$ 16,514	\$ 16,514	\$	\$

NOTE C - ACTIVITIES OF THE PHA

At September 30, 2000, the PHA was managing 49 units of low-rent in three projects under Program FW - 1192.

NOTE D - CONTINGENCIES

The entity is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refund by the entity to federal grantors and/or program beneficiaries.

HOUSING AUTHORITY OF LAKE ARTHUR

NOTES TO FINANCIAL STATEMENTS

(continued)

SEPTEMBER 30, 2000

NOTE E - FIXED ASSETS

As noted in Note A, soft costs formerly capitalized have been written off and fixed assets are now depreciated on the straight-line method over their estimated useful lives as follows:

Site improvements	15 Years
Buildings	33 Years
Buildings improvements	15 Years
Nondwelling structures	15 Years
Equipment	3 to 7 Years

	09/30/00 Cost	09/30/99 Accumulated Depreciation	Current Depreciation	09/30/00 Accumulated Depreciation
Land	\$ 19,151	0	0	0
Buildings and Improvements	2,123,937	1,218,473	83,852	1,302,325
Equipment	70,133	33,348	8,661	42,009
	<u>\$ 2,213,221</u>	<u>1,251,821</u>	<u>92,513</u>	<u>1,344,334</u>

The capitalization limit is \$500.00

All land and buildings are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the government and to protect other interests of the government.

NOTE F - RETIREMENT PLAN

The PHA approved a retirement plan in October, 2000. Contributions by the employee and the employer will be 3% each.

HOUSING AUTHORITY OF LAKE ARTHUR
NOTES TO FINANCIAL STATEMENTS
(continued)
SEPTEMBER 30, 2000

NOTE G - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Investments

The carrying amount approximates fair value because of the short maturity of these instruments.

NOTE H - ACCOUNTING FOR THE IMPAIRMENT OF LONG - LIVED ASSETS

The full amount of the carrying value of buildings and land improvements are deemed recoverable from future cash flows.

NOTE I - USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE J - COMPENSATED ABSENCES

Employees earn annual leave based upon years of service, and may accrue up to 300 hours. Sick time is earned but not accrued since it is dependent upon a future event. Upon termination all accrued vacation time is paid. At 9/30/00 the PHA had a liability of \$4,374. Of the aforementioned amount, \$2,267 pertained to the prior year. Only the \$2,107 increase is recognized as a current year expense in these financial statements.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF LAKE ARTHUR

STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST

ANNUAL CONTRIBUTION CONTRACT

LA - 041

1. The Actual Modernization Costs are as follows:

	Project 1998	Project 1999
Funds Approved	\$ 419,772	100627
Funds Expended	<u>419,772</u>	<u>100,627</u>
Excess of Funds Approved	<u>0</u>	<u>0</u>
Funds Advanced	\$ 419,772	100,627
Funds Expended	<u>419,772</u>	<u>100,627</u>
Excess of Funds Advanced	<u>0</u>	<u>0</u>

2. The distribution of costs by project as shown on the Final Statement of Modernization Cost dated 2/25/00 and 9/15/00 accompanying the Actual Modernization Costs Certificates submitted to HUD for approval are in agreement with the PHA's records.

3. All modernization costs have been paid and all related liabilities have been discharged through payment.

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF LAKE ARTHUR
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2000

FEDERAL GRANTOR PROGRAM TITLE	<u>CDFA NO.</u>	<u>PROGRAM EXPENDITURES</u>
U.S. Department of Housing and Urban Development		
Direct Programs:		
Low-Income Housing		
Operating Subsidy	14.850	65,146
Major Program Total		<u>65,146</u>
Comprehensive		
Improvement		
Assistance Program	14.852	356,844
Major Program Total		<u>356,844</u>
Total HUD		\$ <u><u>421,990</u></u>

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Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133

Housing Authority of Lake Arthur
Lake Arthur, Louisiana

We have audited the compliance of the Housing Authority of Lake Arthur, Louisiana with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2000. The Housing Authority of Lake Arthur, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of Lake Arthur, Louisiana's Management. Our responsibility is to express an opinion on the Housing Authority of Lake Arthur, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of Lake Arthur, Louisiana's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority of Lake Arthur, Louisiana's compliance with those requirements.

In our opinion, the Housing Authority of Lake Arthur, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2000. We noted three instances of noncompliance. They are the three audit findings.

Internal Control Over Compliance

The management of The Housing Authority of Lake Arthur, Louisiana is responsible for establishing and maintaining internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority of Lake Arthur, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Mike Estes, P.C.

Fort Worth, Texas
March 1, 2001

The Notes to Financial Statements are an integral part of these statements.

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Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in
Accordance with Governmental Auditing Standards

Housing Authority of Lake Arthur
Lake Arthur, Louisiana

We have audited the financial statements of the Housing Authority of Lake Arthur, Louisiana as of and for the year ended September 30, 2000, and have issued our report thereon dated March 1, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and provisions of the Louisiana Governmental Audit Guide.

Compliance

As part of obtaining reasonable assurance about whether the Housing Authority of Lake Arthur, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing a opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*, or the Louisiana Governmental Audit Guide.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of Lake Arthur, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is a matter of public record and its distribution is not limited.

Mike Estes, P. C.

Fort Worth, Texas
March 1, 2001

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF LAKE ARTHUR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 2000

Prior Audit Findings and Questioned Costs

None

Current Audit Findings

Waiting Lists

- 1) HUD regulations requires that a PHA maintain a waiting list that includes the date and time of application. On a manual list such as this PHA maintains, applicants should be listed in the order they apply.

On the 1 and 2 bedroom list, however, I noted one individual applied on 1-31-00. The next application date below was 1/28/00. Later, three vertical entries (top to bottom) were 2/28/00, 3/31/00, and 2/17/00, respectively.

The PHA clerk told me she took the applications in bunches over a several day period and listed them all at one time on the waiting list. She did not realize they were out of order.

The PHA admits by time and date of application. The PHA does not recognize local preferences.

Recommendation

The PHA should enter applicants immediately onto the waiting list when they apply. This eliminates the possibility that applicants will not be entered in the proper order onto the waiting list.

We note that the PHA properly housed applicants in accordance with the order they actually applied, and not in accordance with the improper sequence that they were listed on the waiting list, as noted previously.

Reply

We will comply with the above.

HOUSING AUTHORITY OF LAKE ARTHUR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 2000

CIAP Bid Not Obtained

- 2) On the 1999 CIAP, the PHA did not obtain a general contractor. The PHA purchased the materials and hired out the labor to one carpenter to substantially renovate 3 units. The PHA could not provide me with any other bids for this labor. The total price for the labor paid to the carpenter was \$26,350.00.

Recommendation

In the future, the PHA should adhere to its procurement policy and obtain other bids when necessary. The lowest bid does not necessarily have to be taken. The PHA should review with HUD, however, before it rejects the lowest, responsible bid.

Reply

We were dissatisfied with the work of the last general contractor we used, who was not a local. Our Executive Director has supervised commercial renovation jobs and knows the price we obtained and paid to the carpenter was reasonable. The Executive Director and the Board monitored the construction job in question and the carpenter hired did good work.

Also, we attempted to obtain quotes from other local carpenters. They said they were too busy.

Next time we face this situation, we'll contact HUD before we proceed.

MASS Incorrectly Calculated

- 3) Answers were incorrectly calculated for Sub-Indicator #1, V128, 129 and 130, Average number of calendar days units were in down time, make ready time and lease up time.

V131, average unit turnaround days, was correctly computed.

HOUSING AUTHORITY OF LAKE ARTHUR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 2000

Recommendation

The PHA keeps good records that document various answers for MASS. I discussed the correct way to compute the above averages. The PHA should correctly compute in the future.

Reply

We will comply with the above.

HOUSING AUTHORITY OF LAKE ARTHUR
SCHEDULE OF AUDIT JOURNAL ENTRIES
YEAR ENDED SEPTEMBER 30, 2000

LA - 041

	ACCT. # FOR AUDIT PURPOSES	<u>DR</u>	<u>CR</u>	ACCT. # FOR POSTING TO PHA BOOKS
<1> Bad debt expense	964	737.00		Per fee accountant
Allowance - bad debts	126.1		737.00	

To increase allowance to amount equal to 9/30/00 balance of vacated tenants

PHA: LA041 FYED: 09/30/2000

Line Item #	Account Description	Low Rent Public Housing	Public Housing_ Comprehensive Improvement Assistance Program	Total
111	Cash - Unrestricted	\$13,426	\$0	\$13,426
114	Cash - Tenant Security Deposits	\$3,088	\$0	\$3,088
100	Total Cash	\$16,514	\$0	\$16,514
125	Accounts Receivable- Miscellaneous	\$134	\$0	\$134
126	Accounts Receivable- Tenants - Dwelling Rents	\$1,469	\$0	\$1,469
126.1	Allowance for Doubtful Accounts- Dwelling Rents	\$-1,145	\$0	\$-1,145
126.2	Allowance for Doubtful Accounts- Other	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$458	\$0	\$458
142	Prepaid Expenses and Other Assets	\$10,915	\$0	\$10,915
143	Inventories	\$628	\$0	\$628
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0
150	Total Current Assets	\$28,515	\$0	\$28,515
161	Land	\$19,151	\$0	\$19,151
162	Buildings	\$1,552,068	\$445,108	\$1,997,176
163	Furniture, Equipment & Machinery- Dwellings	\$26,016	\$6,506	\$32,522
164	Furniture, Equipment & Machinery- Administration	\$19,139	\$18,472	\$37,611
165	Leasehold Improvements	\$114,524	\$12,237	\$126,761
166	Accumulated Depreciation	\$-1,308,386	\$-35,948	\$-1,344,334
160	Total Fixed Assets, Net of Accumulated Depreciation	\$422,512	\$446,375	\$868,887
174	Other Assets	\$2,885	\$0	\$2,885
180	Total Non-Current Assets	\$425,397	\$446,375	\$871,772
190	Total Assets	\$453,912	\$446,375	\$900,287

PHA: LA041 FYED: 09/30/2000

Line Item No.	Account Description	Low Rent Public Housing	Public Housing_ Comprehensive Improvement Assistance Program	Total
321	Accrued Wages/Payroll Taxes Payable	\$1,015	\$0	\$1,015
322	Accrued Compensated Absences	\$4,374	\$0	\$4,374
333	Accounts Payable- Other Government	\$4,026	\$0	\$4,026
341	Tenant Security Deposits	\$3,088	\$0	\$3,088
345	Other Current Liabilities	\$23,664	\$0	\$23,664
310	Total Current Liabilities	\$36,167	\$0	\$36,167
350	Total Noncurrent Liabilities	\$0	\$0	\$0
300	Total Liabilities	\$36,167	\$0	\$36,167
503	Long-term Debt - HUD Guaranteed	\$35,537	\$0	\$35,537
504	Net HUD PHA Contributions	\$379,354	\$446,375	\$825,729
508	Total Contributed Capital	\$414,891	\$446,375	\$861,266

511	Total Reserved Fund Balance	\$0	\$0	\$0
512	Undesignated Fund Balance/Retained Earnings	\$2,854	\$0	\$2,854
513	Total Equity	\$417,745	\$446,375	\$864,120
600	Total Liabilities and Equity	\$453,912	\$446,375	\$900,287

PHA: LA041 FYED: 09/30/2000

Line Item No.	Account Description	Low Rent Public Housing	Public Housing_Comprehensive Improvement Assistance Program	Total
703	Net Tenant Rental Revenue	\$57,490	\$0	\$57,490
704	Tenant Revenue - Other	\$2,454	\$0	\$2,454
705	Total Tenant Revenue	\$59,944	\$0	\$59,944
706	HUD PHA Grants	\$65,146	\$6,974	\$72,120
711	Investment Income- Unrestricted	\$80	\$0	\$80
715	Other Revenue	\$5,050	\$0	\$5,050
700	Total Revenue	\$130,220	\$6,974	\$137,194

PHA: LA041 FYED: 09/30/2000

Line Item No.	Account Description	Low Rent Public Housing	Public Housing_Comprehensive Improvement Assistance Program	Total
911	Administrative Salaries	\$25,480	\$0	\$25,480
912	Auditing Fees	\$3,796	\$0	\$3,796
914	Compensated Absences	\$2,107	\$0	\$2,107
915	Employee Benefit Contributions -Administrative	\$7,629	\$0	\$7,629
916	Other Operating -Administrative	\$8,705	\$6,974	\$15,679
931	Water	\$3,715	\$0	\$3,715
932	Electricity	\$3,499	\$0	\$3,499
933	Gas	\$1,086	\$0	\$1,086
938	Other Utilities Expense	\$8,929	\$0	\$8,929
941	Ordinary Maintenance and Operations Labor	\$19,910	\$0	\$19,910
942	Ordinary Maintenance and Operations Materials and Other	\$7,431	\$0	\$7,431
943	Ordinary Maintenance and Operations Contract Costs	\$13,222	\$0	\$13,222
945	Employee Benefit Contributions -Ordinary Maintenance	\$5,994	\$0	\$5,994
961	Insurance Premiums	\$28,101	\$0	\$28,101
963	Payments in Lieu of Taxes	\$4,026	\$0	\$4,026
964	Bad Debt - Tenant Rents	\$737	\$0	\$737
969	Total Operating Expenses	\$144,367	\$6,974	\$151,341
970	Excess Operating Revenue over Operating Expenses	\$-14,147	\$0	\$-14,147
971	Extraordinary Maintenance	\$3,700	\$0	\$3,700
972	Casualty Losses -Non-Capitalized	\$696	\$0	\$696
974	Depreciation Expense	\$57,400	\$35,113	\$92,513
900	Total Expenses	\$206,163	\$42,087	\$248,250
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$-75,943	\$-35,113	\$-111,056

PHA: LA041 FYED: 09/30/2000

Line Item No.	Account Description	Low Rent Public Housing	Public Housing_Comprehensive Improvement Assistance Program	Total
1101	Capital Outlays Enterprise Fund	\$0	\$349,870	\$349,870
1102	Debt Principal Payments -Enterprise Funds	\$0	\$0	\$0
1103	Beginning Equity	\$493,686	\$131,618	\$625,306
1112	Depreciation Add Back	\$57,400	\$35,113	\$92,513
1120	Unit Months Available	560	0	560
1121	Number of Unit Months Leased	508	0	508